State of Georgia

REQUEST FOR PROPOSALS
LIQUIDITY FACILITY
September 21, 2006

Due: October 5, 2006 at 4:00 PM, EDT

The State of Georgia (the "State") plans to issue $300,000,000 of general obligation variable rate demand bonds (the "Bonds") in December 2006, as authorized by the Amended General Appropriations Act for fiscal year 2005-2006 (Act. No. 949, 2006 Regular Session H.B. 1026). The bonds will amortize over 20 years to produce level debt service using a rate of 9%. The proceeds of the bonds will be used to fund transportation projects. The State's general obligation bonds are rated Aaa by Moody's and AAA by Fitch and Standard & Poor's. Bond counsel is Thomas, Kennedy, Sampson & Patterson, Attorneys at Law, and the financial advisor is Public Resources Advisory Group. Disclosure counsel will be determined.

Proposals are due not later than **4:00 PM (EDT) on October 5, 2006**. Please e-mail your proposals to the following:

Diana Pope
Interim Director
Georgia State Financing and Investment Commission
dpope@gsfic.ga.gov

Steven Peyser
Public Resources Advisory Group
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Lee McElhannon
Director of Bond Finance
Georgia State Financing and Investment Commission
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Janet Lee
Public Resources Advisory Group
jlee@pragny.com

The following is the projected schedule for this request for proposal process:

Issuance of Request for Proposal	September 21, 2006
Deadline for Submission of Proposal	October 5, 2006, 4:00 PM (EDT)
Anticipated Notification of Successful Firm(s)	Week of October 9, 2006
Issuance of Bonds	December 2006

Proposal Requirements

Providers must have long-term ratings in at least the AA category from two rating agencies and short-term rating of at least P-1, A-1 and F-1 by Moody's Investors Service, Standard & Poor's Ratings Group and Fitch Ratings, respectively.

The State has provided a draft term sheet for a Liquidity Facility as Attachment B. Proposers are required to respond to the proposal questions below.

The expenses of your proposal will not be the responsibility of the State. The State may conduct interviews with short-listed firms. The State reserves the right to select more than one liquidity provider. In addition, the State reserves the right not to proceed with the variable rate bond program.

Criteria for Selection

The criteria to be used in the selection include: (i) price, (ii) relative trading value of the bank, (iii) conditions specified and (iv) time required for bank credit approval.

Other Information

The State reserves the right to: (i) reject any or all proposals received in response to this request for proposals; (ii) accept a proposal from a firm other than the lowest proposer; (iii) waive or modify any irregularities in proposals received; (iv) consider proposals or modifications received at any time before the award is made, if such action, in the sole judgment of the State, is in the best interest of the State; and (v) negotiate separately with any source whatsoever, in any manner necessary to serve the best interests of the State.

Inquiries regarding this request for proposal should be addressed to Steven Peyser (speyser@pragny.com) and Janet Lee (jlee@pragny.com) at Public Resources Advisory Group. Any contact with State officials or other members of the financing team, except as specified above, regarding issues raised by this request for proposals is prohibited and may result in disqualification.

Fees

Fees and expenses of a single law firm acting as counsel to the bank will be reimbursed by the State in an amount not to exceed $25,000. The State will reimburse fees of outside foreign counsel in an amount up to $3,000 if a foreign counsel is required. No reimbursement will be made for in-house foreign or domestic counsel regardless of whether they are rendering opinions.

The State will not pay an upfront commitment fee and will not reimburse any other expenses of the bank in connection with this liquidity facility.

Questions: (You may use Proposal Information Form when appropriate to answer)

1. *General Information:* Provide general information on your bank, including name, address, phone number, fax number and e-mail address, of the contact person who is authorized to answer questions and to negotiate final terms and conditions on behalf of the bank.

2. *Principal Commitment:* Indicate the maximum principal commitment the bank is willing to provide. The bank will also need to provide an interest commitment, anticipated to be 35 days at 9%.

3. *Pricing:* Indicate all annual fees the bank would charge the State for a liquidity facility for the variable rate demand bonds for a period of 2 years, 3 years, 5 years and 7 years. Fees shall be payable quarterly in arrears, calculated on an actual over 360-day basis. Use the Proposal Information Form attached as Exhibit A.

4. *Draw Fee:* Indicate the bank's draw fee, if any, as well as any cap on this fee.

5. *Other Fees*: Detail any and all other fees that will be charged to the State.

6. *Termination Fees*: Detail any termination fees, if any, in the event the State, prior to its scheduled expiration date, canceled the bank facility.

7. *Interest Rate:* Indicate the index or factor the bank proposes to charge the State under the liquidity facility, including interest rate for a liquidity advance, term loan, and default rate. All interest will be calculated on an actual over 365 day basis and payable monthly in arrears**. Note that a term out will not be permitted and the maximum rate that the State is permitted to pay on an annualized basis to the bank is 9%.**

8. *Credit Approval:* The State would prefer that respondents obtain credit approval for this transaction prior to the submittal of a proposal. Indicate whether such approval has been obtained and, if not indicate the timing for credit approval once an award is made.

9. *Legal Counsel:* Indicate the law firm and the primary lawyer that will represent the bank in this transaction. Legal counsel must be acceptable to the State. If foreign counsel is also required, indicate the law firm and primary lawyer.

10. *Expenses:* The State desires to set a limit on legal and out-of-pocket expenses incurred by the bank. Indicate: (i) a cap on the legal fees and expenses of counsel to the bank; and, (ii) a cap on any other expenses to be incurred. The State will reimburse legal fees and expenses in an amount not to exceed $25,000 and fees of outside foreign counsel in an amount up to $3,000 if a foreign counsel is required. The State will not reimburse any other expenses of the bank in connection with this liquidity facility.

11. *Legal Opinions:* The State expects to receive legal opinions relating to the validity and enforceability of the Credit Agreement from U.S. counsel and foreign counsel in the case of foreign banks. Bond Counsel will provide opinions with respect to the validity and tax-exemption of the variable rate demand bonds and the validity of the Credit Agreement.

Bank counsel will be expected to render preference opinions, if any, as required by the rating agencies.

12. *Bank's Ratings*: Provide the bank's current long-term and short-term ratings from Moody's, Standard & Poor's and Fitch, including outlooks. Comment on any relevant events that may cause or that recently have caused any of the rating agencies to place these ratings under review. Provide each rating agency's current outlook on the bank.

13. *Conditions*: Provide comments, including any requested changes to the Liquidity Facility Term Sheet. (Exhibit B). Outline in detail any covenants, representations, or other requirements your bank will need, including any events of default, termination events or downgrade related provisions. Any response submitted in response to the RFP will be considered to have agreed to the terms and conditions set forth herein except as otherwise expressly stated.

EXHIBIT A

STATE OF GEORGIA
Proposal Information Form – Variable Rate Demand Bonds

Name of Bank: ____

Contact Person:________________________ **Phone**: ________________________

Fax: _________________________________ **E-mail**: ________________________

Address:____

Country Where Domiciled: ____

Bank's Ratings:

Fitch: Long-term ________ Short-term ________ Outlook/Credit Watch ___________

Moody's: Long-term ________ Short-term ________ Outlook/Credit Watch ___________

Standard & Poor's: Long-term ________ Short-term ________ Outlook/Credit Watch ___________

Maximum Principal Amount: _________________________________(plus required interest coverage)

Facility Length	Annual Fee
2 Years	
3 Years	
5 Years	
7 Years	
Other (specify)	
Draw Fee under Liquidity Facility	
Bank Interest Rate	
Default Rate	
Term Loan Rate	
Term-Loan Period	
Termination Fees	
Other	

Bank Legal Fees and Expenses: Estimated at $ _______________; capped at $ _______________

Bank Counsel and primary contact: ____

Time Frame for Credit Approval: ____

EXHIBIT B

STATE OF GEORGIA

Variable Rate Demand Bonds Program

Summary of Term and Conditions
Liquidity Facility

Issuer	The State of Georgia
Security	General Obligation of the State
Facility	Liquidity Facility
Term of Facility	2 years, 3 years, 5 years, 7 years, other
Facility Amount	Up to $300 million plus required amount of interest coverage.
Minimum Short Term Bank Ratings	P-1, A-1 and F-1 by Moody's, Standard & Poor's and Fitch
Minimum Long Term Bank Ratings	At least two ratings in the AA category from the three rating agencies.
Assignment of Bank Note	Nonassignable without written permission of the State
Maximum Rate on Bank Note	9% on an annualized basis. During the course of the year, the rate on the bank note can exceed 9%; however, on an annualized basis, the rate cannot exceed 9% such that the annual debt service for the Bonds exceeds the allowable highest annual debt service requirement of $32,865,000, which was calculated based on level debt service for $300,000,000 over 20 years at 9%.
Term-Out	Not permitted. The State will agree to convert bank notes to fixed rate bonds if (i) ratings assigned to the bonds are withdrawn or reduced below Baa1/BBB+, (ii) bank notes are held outstanding for at least 90 days and (iii) bonds cease for any reason whatsoever to be valid, binding and enforceable obligations of the State.
Events of Default Leading to Termination by Mandatory Tender	1. The State fails to pay amounts due under the Credit Agreement. 2. Any representation or warranty is incorrect in any material respect 3. The State fails to use its reasonable efforts to obtain a substitute liquidity facility in the event that the existing Liquidity Facility is not extended at the expiration date or if the State's general obligation bonds are rated below Baa2 or BBB. 4. Failure to retain qualified remarketing agents
Events of Default Leading to Immediate Termination	1. The State imposes a debt moratorium, debt restructuring or comparable extraordinary restriction on repayment when due and payable of the principal or interest on any general obligation debt of the State 2. The State shall fail to pay principal or interest when due on any general obligation bonds or an advance under the credit agreement after any remedy provision has expired. 3. General obligation bonds of the State have been rated below Baa3/BBB-/BBB- by Moody's, S&P or Fitch.
Extension	No more than 120 days or less than 90 days prior to expiration at the request of the State, subject to approval by the bank

Fee Payment	1. Quarterly in arrears for annual fee, calculated on an actual over 360-day basis 2. Within 30 days of billing for all other fees
Interest Rate	All interest will be calculated on an actual over 365-day basis and payable monthly in arrears.
Termination	At option of the State at any time without any fees.
Governing Law	State of Georgia
Documentation	The selected Provider(s) and/or its counsel shall be responsible for preparing the Credit Agreement. The Credit Agreement shall incorporate the terms and conditions contained herein and the first draft of the Credit Agreement shall be distributed to the State's finance team within **five (5)** business days of being notified by the State of the award.
Legal Opinions	Valid and Binding Contract